

March - April 2013

Money Moxie®

Financial Solutions for Your Life

The American Dream (and the Cost of Procrastination)



SMEDLEY FINANCIAL SERVICES, INC.®
www.SmedleyFinancial.com

Becoming Financially Aware

Dear Valued Clients and Friends,

Over the years, people I randomly see will almost always ask my opinion about the market, gold, the economy, etc. They might say that they successfully got out of the market, but they never knew when to get back in. As a result they never did get back in the market.

I simply tell these good folks that “making those tough decisions is exactly what we do for our clients at Smedley Financial.”

Our best clients are those that have a good financial education. By that I mean they understand what we are striving to do for them in terms of protecting and growing their wealth. This is all done with respect to our clients’ goals, resources, ages, and risk tolerances. We don’t want our clients to outlive their resources. We want their money to last as long as they do!

Investment management and financial planning are not simply one-time events, but rather they are ongoing, living, and dynamic processes. Regular communications and visits are more essential than ever with respect to life’s events, financial and otherwise.

We invite you to come in and see us or call us so that we can be of the most service and benefit to you.

Bullish Best Wishes,



Roger M. Smedley, CFP®
President

Financial Awareness Webinar

We want you to feel informed and knowledgeable about the financial world we live in.

Regardless of your age or experience the investment jargon used in many financial publications and on financial programs can be confusing. Keeping the various types of investment options straight can be tricky to say the least.

Join us for our “Investment Basics—A Guide to Your Investment Options” webinar and learn something new. We invite you and anyone you’d like to include to tune in.

Upcoming Webinars:
Thursday, April 25th at 10:00 AM
Tuesday, April 30th at 3:00 PM

If you have any questions
please contact our office at (800) 748-4788.



The American Dream



(and the Cost of Procrastination)

By Sharla J. Jessop, CFP®

Most of us hold in our hearts the dream of someday spending our time doing things that bring only fulfillment to our lives and shrugging the requirements outlined by the careers we have chosen. This dream is better known as retirement. Unfortunately, there is a growing trend among Americans—the propensity to “do it tomorrow.”

It is hard to imagine that we unwittingly defeat our own dreams. Here are some insights and a few disturbing facts on how that happens.

The cost of procrastination

Every year that we fail to put money aside for the future has an impact on our future dreams. For example, let’s say Rich is 25 years old and saves \$100 each month for retirement. By the time he is 67 he will have saved over \$307,000 (assuming a 7 percent rate of return). Contrast that with Joe who saves the same amount each month and the same growth rate, but waits to start his plan until he is 40. When Joe reaches age 67, he will have saved just over \$97,000. That’s a \$200,000 difference.

In order for Joe to catch up to Rich by age 67, he would have to save \$317 per month. The difference becomes even greater if Rich and Joe contribute to a 401(k) plan where the company matches contributions.

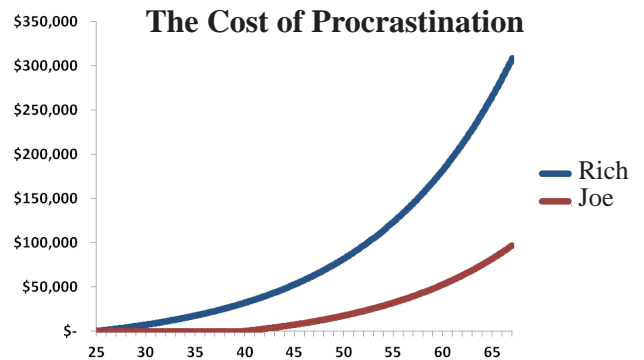
Every year that we delay saving for the future has a significant impact on our ability to reach our financial dream. This is true whether we are 25, 45, or 65. Lack of action thwarts any financial goals.

The result of procrastination

Among U.S. workers, 57 percent said that they have less than \$25,000 in total household savings

2.6%
The amount of income Americans currently save has been falling for decades.

and investments, excluding the value of their home, according to the Employee Benefit Research Institute.



Only 3 percent of Americans have a pension.



Since 1973, we have watched the savings rate in the United States drop steadily from its high of 11 percent. In February 2013, the personal saving rate was a paltry 2.6 percent. At this rate it’s no wonder that 28 percent of Americans said they are “not at all confident” that they have saved enough for retirement.

The decline in savings couldn’t come at a worse time. Today’s retirees are faced with longer life spans and higher retirement costs. All of this at a time when only 3 percent of us have a defined benefit plan (pension) through our employers. In addition, we face changes to Social Security benefits. The old three-legged-stool approach to saving for retirement is no longer a viable analogy. The stool has now changed to a pogo stick and we are at the center. The burden to plan and prepare for retirement has been shifted almost entirely to us.

With everyone sounding the alarm, why are we not heeding the call? Simply said, it’s our financial behaviors. Goals are not physically impossible to reach; we simply lack the self-discipline to stick to them.

Continued on next page

The battle within

On a daily basis everyone faces the battle between our present self and our future self. We paint a picture of what we want the future to look like, whether it's retirement, moving to a new home, or building a nest egg. We have a good feeling about the future we've projected. But to get to that future point we have to overcome our present self.

Our present self is in power today while our future self is nowhere to be seen. Sure, we want to be happy in retirement, but in order to make that happen we have to feel pain right now. There is only so much money in each paycheck. Saving will require us to give up something we want right now. There's the pain! We see saving for the future as an immediate loss. It forces us to deviate from our desired lifestyle. We may have to give up something we want now—a bigger home, a new car, or a vacation—to have the lifestyle we want later. We are constantly forced to make decisions that deny us of immediate gratification and quite frankly, it's hard.

The commitment device

Sticking to our goals first requires us to set goals. We are not generally driven or motivated by facts and figures. Decisions are strongly driven by our emotions.

How do we feel about the outcome of a decision? Incorporating the emotional side of planning with the facts, will help us to create a commitment device. The value of a commitment device is that we can attach a feeling, present and future, to the decisions we make.

What is most important to us today? How do we want the future to look? What lifestyle do we want to live during retirement? These are just a few of the ideas that must be considered when designing our future dreams. Our answers help direct us in creating a template that can be used in our financial plan.



The three legged stool approach to retirement savings is no longer a viable analogy.

In creating financial and retirement plans for our clients we begin with their personal values and goals. This helps us to match the present self with the future self in mapping out a plan to help reach those goals. By meeting with our clients regularly we help keep them focused on the end result.

Maybe it's time for you to create a plan. Maybe it's time for an update or review. Or perhaps you know someone else who could benefit from having a plan. Contact one of our wealth management consultants and find out how we can help. Your success is our goal. SS

Research by Smedley Financial Services, Inc.® For illustrative purposes only. Not intended as an actual situation or as a recommendation. Sources: Employee Benefit Research Institute and U.S. Department of Commerce.

Sharla J. Jessop, CFP®



Sharla Jessop joined the Smedley Financial family almost 20 years ago in 1994. She became the corporate vice president in less than a year. She holds the coveted Certified Financial Planner® designation.



Sharla continues to amaze all of us with her energy and focus. Her sharp thinking, wits, and best efforts not only bless our clients' lives, but all of us in the office as well.



Roger says, "Sharla's integrity is impeccable. She is remarkably gifted and 'street smart.' While Sharla's work ethic is exceptional, she lives a balanced life."

When Sharla is not at work, she enjoys her family—especially her two adorable grandbabies. She also loves traveling to sunny beaches, being outdoors, scuba diving, biking, skiing, and doing anything that is physically challenging.

Patience is a Rewarding Virtue

By James R. Derrick Jr., CFA

We have all been taught that the way to make money investing is to “buy low and sell high.” This makes perfect sense, but it is so much easier said than done. The danger in “buy low and sell high” is that it encourages investors to take active risk that may be contrary to their long-term goals. Most investors would do better following a more patient mantra.

Consider the recent highs in the market. On March 5th, 2013, the Dow index closed at a record level: 14,253. The S&P 500 index hit its high on March 28th, 2013, with a close at 1,569. These highs are only exciting to those participating in the growth of the market.

Some may see new highs as a signal to increase risk, others as a reason to decrease it. Keeping in mind that past performance does not guarantee future results, here are some answers to questions asked by the media when such events occur.

Do the new highs matter?

Yes! How else will investors make money? Making new highs is exactly what the market is supposed to do. Sure it doesn't happen every day or even every year. It took these stock indexes 5½ years to reach their previous highs set on October 9, 2007.

714

New highs in the S&P 500
over the last 50 years

Over the last 50 years, the S&P 500 hit new highs 714 times. It falls frequently, but the long-term trend is up and that is the way it should be.

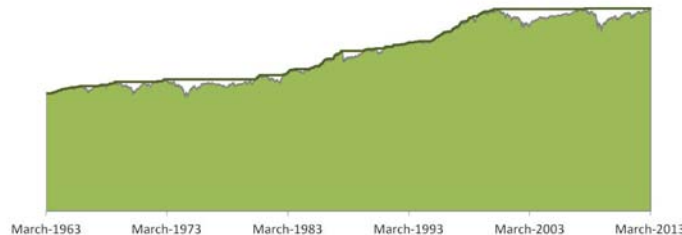
Can we say that what goes up must come down?

There is always a reason for a rising market, and so a new high is often followed by more highs. The positive momentum and good news often have continued. The average return following a new high is positive for 1, 2, 3, 6, and even 12 months following the high.

Is this time different?

The current bull market is celebrating a birthday this month. (The current bull market began on March 9th, 2009.) It is turning four, which is a long time for a bull to run on Wall Street without interruption.

What 50 Years of New Highs Looks Like
S&P 500 from March 1963 to March 2013



What could stop the bull?

Consumers are once again financing spending through debt. Their savings have fallen to just 2.6 percent of their income. (See cover story for details.)

Low savings equate to high spending. This is only good over short periods of time. A market rise that goes with it cannot be sustained forever. Eventually, consumers will reach a limit on how much they can borrow and spend.

Human nature is also a constant in the investment world, and it often leads to an over-inflated market as investors become overly optimistic. If it leads to inflation, the Federal Reserve may choose to send interest rates higher on debt.

Are there signs of overheating?

Consumer spending trends may be headed in the wrong direction right now, but they seem far from overextended. In fact, household debt is at historically good levels—the best in over 25 years.

Inflation could become a major concern, but it isn't right now. North America is on its way to energy independence, possibly by 2020. Take a look at the price of natural gas on your winter heating bills. Prices have been low for energy.

Everyone is beginning to love stocks again. This is a good sign and a reason for caution. Just remember, patience is a rare virtue in the market, and if you have it then you should expect to do better than average. Of course, there are no guarantees. SFS

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Retirement Incentives

By Rodney A. Walker, CFP®

At times companies offer early retirement packages to help transition employees from the work force. The decision will affect the rest of your life. You could have the opportunity to retire earlier than anticipated, and the company may offer you a financial incentive to do so.

A company that offers a retirement incentive is trying to improve its overall financial health, which means the deal may or may not be in your best interest. Below are some significant items that need to be addressed when evaluating retirement incentives.

Health care

Health care should be a critical consideration that must be addressed in order to evaluate an early retirement. Remember, eligibility for Medicare starts at age 65. Some retirement packages allow employees to keep current health insurance coverage until age 65, but with a dramatic increase in cost. Other offers may have no continuation of health insurance, leaving the retiree to find coverage on their own.

Pension

How will an early retirement package affect any pension plan your employer provides? Determine if retiring early will decrease your pension each month. Some early retirement packages offer incentives to bridge gaps so your pension is not reduced. Companies can add years to age, working years, or both. If the company offers a pension, but does not include any of these incentives, it could cost you thousands in retirement.

Severance


Severance pay is valuable. It is a lifeline for transitioning to another career or providing income until you receive pension payments. Understand the different options in taking severance pay. Your early retirement package might offer a lump sum payment, installment payments, or even the option to roll some or all to a 401(k).

Decision

What happens if you decide not to accept the incentive to retire early? It may be possible for you to continue to work in your current position and retire when you originally planned.

It is also possible that your company needs a certain number of employees to accept the retirement incentive in order to avoid layoffs. If this is the case and you decline the early retirement incentive, you may be let go without the incentive package. It is critical to have a good understanding of the structure and reasoning of the retirement incentive. This could really help in making the correct choice.

Retirement

One of the most helpful pieces of information that can assist in your decision is simply knowing how much money you will need to maintain your lifestyle. If you receive an early retirement option, coordinate with your SFS Wealth Management Consultant to see if it is a good option for you. We want to help you make smart financial decisions. 

What Can \$1 Million Buy?



One million dollars doesn't buy what it used to. But it could help fund a comfortable retirement. Scan the QR code to the left or visit us at www.SmedleyFinancial.com and watch a video showing how the purchasing value of one million dollars has changed over the years. Even with the decreasing value, one million dollars still buys a great deal!

Top Concern for Small Business Owners: Rising Health Insurance Costs

By Mikal B. Aune, CFP®

A recent study by the National Federation of Independent Business ranked “Cost of Health Insurance” the number one concern for small business owners.¹ This comes as no surprise as there has been much uncertainty over the impact of the Affordable Care Act, AKA “ObamaCare.”

The *Wall Street Journal* reports that “while ObamaCare won’t take full effect until 2014, health insurance premiums in the individual market are already rising, and not just because of routine increases in medical costs. Insurers are adjusting premiums now in anticipation of the guaranteed-issue and community-rating mandates starting next year.”² The largest impact will be for individual coverage, where health care costs in Utah are expected to increase somewhere between 65% and 100%.³ Small employers are also expected to feel a disparate impact. Large employers will be impacted the least.

Whether you supply health insurance for your small business employees or you get along with individual coverage, you can expect premiums to increase.


While understanding that costs will most likely increase, we also need to remember that one of the benefits of ObamaCare is that many small business owners, employees, and individuals can gain access to healthcare where they didn’t have access before.

For small business owners, there are specific rules governing how your business will be impacted next year based on the number of employees you have. For example, if you have less than 25 employees, you may actually qualify for a tax credit if you contribute 50 percent or more toward employee health insurance. Employers with 25-50 employees will have access to SHOP, the Small Business Health Options Program, where employers can go to find coverage from a selection of providers in the marketplace. Open enrollment begins October 1, 2013.



It isn’t until you have 50 full-time equivalent employees or more that you may be subject to an “employer shared responsibility payment” beginning in 2014. It is important to understand how all of these rules may impact you. For greater detail please visit SBA.gov and IRS.gov and search for the Affordable Care Act.

So, what should you be doing as a small business owner? First, make sure you understand all of the changes and how they will impact you going forward. Then, if you feel like the cost of your insurance is increasing dramatically, shop around. Smedley Financial Services has access to individual and small business health insurance plans. We can give you a second opinion to see if you can save money or if there is a different type of plan that is more suited to your business structure.

There are so many changes happening in health care that it is hard to keep up. However, with a little research and some expert advice you can remove some of the uncertainty in your life. 

1. “Uncertainty Dominates Top 5 Small Business Concerns,” National Federation of Independent Business, <http://www.nfib.com/research-foundation/priorities>.

2. Merrill Mathews and Mark E. Litow, “ObamaCare’s Health Insurance Sticker Shock,” *Wall Street Journal*, January 13, 2013.

3. Merrill Mathews and Mark E. Litow, “ObamaCare’s Health Insurance Sticker Shock,” *Wall Street Journal*, January 13, 2013.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work only for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the investment strategies that work towards each client's needs, risk tolerance, and goals. We are never in a position where we are required to recommend a product we do not believe best serves the needs of our clients. We work with individuals, businesses, and family estates.

Some of the following products and services may be used to implement the plans we create.

Investments

- Managed Accounts
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds
- Non-managed
- Alternative Investments

Annuities

- Fixed
- Variable
- Indexed
- Immediate
- Deferred

Life Insurance

- Term
- Whole Life
- Universal Life
- Variable Universal Life

Long-term Care Insurance

- Traditional
- Hybrid

Health Insurance

- Individual
- Medicare Supplement

Social Security

Strategies & Options

Disability Insurance

- Long-Term
- Short-Term



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